

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 CIAE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 IO-10 NEA-09 CEA-01

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 7/16/75

TAGS: EAID, EFIN

SUBJECT: ADB RESOURCE REPLENISHMENT

SUMMARY: ADB MANAGEMENT HAS ISSUED WORKING PAPER ON
PROCEDURAL STEPS ENVISAGED IN CONNECTION WITH REPLENISH-
MENT OF BANK'S ORDINARY CAPITAL (OC) AND RESOURCES FOR
CONCESSIONAL LENDING. BANK AIM IS TO HAVE GOVERNORS AT
UP-COMING ANNUAL MEETING CONSIDER ADOPTION OF RESOLUTION
AUTHORIZING DIRECTORS TO STUDY AND FORMULATE PROPOSALS,
AND TO HAVE POTENTIAL DONORS MEET TO DISCUSS BANK'S
PROPOSALS TO REPLENISH ASIAN DEVELOPMENT FUND (ADF).
BANK WOULD FURTHER HOPE FOR (A) AGREEMENT ON ADF
REPLENISHMENT BEFORE END-SEPTEMBER 1975 WITH CONTRIBUTIONS
BECOMING EFFECTIVE IN FIRST HALF OF 1976 AND (B) AGREEMENT
ON OC REPLENISHMENT DURING 1976 WITH SUBSCRIPTIONS
BECOMING EFFECTIVE EARLY 1977. NAC COMMENTS REQUESTED.

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1. ADB WORKING PAPER 1-75 ENTITLED "REPLENISHMENT OF THE BANK'S RESOURCES: OUTLINE OF PROCEDURAL STEPS" WAS POUCHED JANUARY 15 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS JANUARY 23.

2. PROJECTIONS MADE OVER PAST TWELVE MONTHS INDICATED BANK WILL REACH LIMIT OF BORROWING CAPACITY, AS MEASURED BY CALLABLE CAPITAL OF MEMBERS WITH CONVERTIBLE CURRENCIES (INCLUDING U.S. SUBSCRIPTION TO FIRST REPLENISHMENT), IN 1977. IF BANK IS TO CONTINUE OC LENDING OPERATIONS THROUGH 1977 AND THEREAFTER, SECOND CAPITAL REPLENISHMENT WILL HAVE TO OCCUR IN THAT YEAR.

3. OF EVEN GREATER URGENCY TO BANK IS QUESTION OF REPLENISHMENT OF RESOURCES OF ASIAN DEVELOPMENT FUND (ADF). BANK IS REASONABLY HOPEFUL THAT DURING 1975 ALL INTENDING PARTICIPANTS WILL COMPLETE THEIR CONTRIBUTIONS UNDER INITIAL RESOURCE MOBILIZATION SCHEME, AND THAT AVAILABLE RESOURCES WILL BE SUFFICIENT FOR BANK SUBSTANTIALLY TO ACHIEVE ITS 1975 LENDING TARGET OF ABOUT \$250 MILLION. OBJECTIVE OF REPLENISHMENT WOULD BE TO COVER CONCESSIONAL LENDING REQUIREMENTS FOR THREE-YEAR PERIOD 1976 THROUGH 1978.

4. IN EARLY FEBRUARY BANK EXPECTS TO SUBMIT WORKING PAPER TO BOARD ON OVERALL RESOURCE NEEDS DURING PERIOD UP TO 1980. PAPER WILL PROVIDE BASIS FOR SPECIFIC PROPOSALS ON ADF REPLENISHMENT AND, AT LATER STAGE, ON GENERAL INCREASE IN BANK'S CAPITAL STOCK.

5. PRESENT PAPER PROVIDES PRELIMINARY OUTLINE OF MAJOR STEPS THOUGHT TO BE NECESSARY IN FORMULATING, NEGOTIATING AND IMPLEMENTING SUCH A RESOURCE REPLENISHMENT. SCENARIO OUTLINED IS THAT IN EARLY FEBRUARY WORKING PAPER TO BE ISSUED FOR BOARD DISCUSSION LATE FEBRUARY, BOARD MAKING PRELIMINARY PROPOSALS FOR SECOND REPLENISHMENT OF OC RESOURCES AND FIRST REPLENISHMENT OF ADF. BOARD WOULD PREPARE REPORT AND DRAFT RESOLUTION FOR CONSIDERATION OF GOVERNORS AT EIGHT ANNUAL MEETING THIS COMING APRIL AUTHORIZING LIMITED OFFICIAL USE

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DIRECTORS TO STUDY AND FORMULATE PROPOSALS. MEANWHILE, MANAGEMENT WOULD INITIATE CONSULTATIONS WITH POTENTIAL DONORS TO ADF REPLENISHMENT AND HOLD DISCUSSION AT TIME OF EIGHT ANNUAL MEETING. PRIORITY IS BEING GIVEN TO ADF REPLENISHMENT WITH HOPE FOR AGREEMENT BEFORE END-SEPTEMBER 1975 AND CONTRIBUTIONS BECOMING EFFECTIVE IN FIRST HALF OF 1976. RE OC REPLENISHMENT, OBJECTIVE WOULD BE TO REACH AGREEMENT DURING 1976 WITH SUBSCRIPTIONS

BECOMING EFFECTIVE IN EARLY 1977.

6. USADB COMMENT: WORKING PAPER CONCEDES THAT OUTLINE IS TENTATIVE AND THAT SPECIFIC ACTION WILL DEPEND UPON CIRCUMSTANCES AS THEY DEVELOP. NOTE THAT PROPOSED GOVERNORS RESOLUTION (PARA. 5) DOES NOT REPEAT NOT IMPLY OBLIGATION ON PART OF ANY MEMBER COUNTRY RESPECTING PARTICIPATION IN REPLENISHMENT EFFORTS. ANY SUCH RESOLUTIONS WOULD BE ADOPTED SUBSEQUENT TO DIRECTORS' STUDY OF ISSUE. AS U.S. PARTICIPATION IS CRUCIAL TO SUCCESS OF BOTH REPLENISHMENT EFFORTS, USADB WOULD APPERCIATE NAC COMMENTS PRIOR TO JANUARY 23 MEETING.
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